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IRS issues SECURE Act implementation relief

On January 24, the IRS issued Notice 2020-6, providing relief related to the SECURE Act change of the age 70½ trigger for required minimum distributions (“RMDs”) to age 72, effective for individuals who attain 70½ after 2019. This change requires a number of administrative changes, some of which have been difficult to implement in a timely manner.

Notice 2020-6 is a first step toward administrative relief. The Notice clarifies that if an RMD statement is provided for 2020 to an IRA owner who will turn age 70½ in 2020, the IRS will not consider the statement to be incorrect, but only if the financial institution notifies the IRA owner no later than April 15, 2020, that no RMD is due for 2020.

The IRS encourages all financial institutions, in communicating these RMD changes, to remind IRA owners who reached age 70½ in 2019 but have not yet taken their 2019 RMDs, that they are still required to take those distributions by April 1, 2020.

Bill reintroduced to increase cash-out limit

On January 24, Rep. Tim Walberg (R-MI) and Del. Gregorio Sablan (D-MP-At Large) will reintroduce the Retirement Plan Modernization Act (H.R. 5676).

Under current law, a retirement plan may generally cash out a participant who terminates employment if the value of his or her benefit does not exceed $5,000. The bill increases that to $8,000 and indexes the limit on a go forward basis.

Additionally, the bill makes changes to the automatic IRA rollover requirement by allowing distributions of less than $1,000 or less to be paid in cash to the participant if the participant does not make another election. The $1,000 is not indexed.

Today, the Internal Revenue Code requires that, if the cash-out amount exceeds $1,000 and the participant does not elect otherwise, the cash-out amount must be rolled over into an IRA established in the participant's name.

Congressmen introduce bill to help seniors save for retirement

On January 27, Reps. Josh Gottheimer (D-NJ) and John Katko (R-NY) introduced the Senior Housing IRA Act of 2020 (H.R. 5726), which would allow seniors who sell their principal residence to avoid paying the capital gains tax on the proceeds from that sale if the proceeds are saved in a Roth IRA.

Homeowners who have owned their homes for 20 or more years and who are age 55 or older would qualify to take advantage of this one-time savings offered by the Senior Housing IRA Act. The legislation would eliminate the current Roth IRA contribution limit of $7,000 to allow for those nearing retirement greater savings from these home sales.

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References and source material used in this publication

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Relief for Reporting Required Minimum Distributions for IRAs for 2020
https://www.irs.gov/pub/irs-drop/n-20-06.pdf

H.R. 4158, Retirement Plan Modernization Act of 2017
https://www.congress.gov/115/bills/hr4158/BILLS-115hr4158ih.pdf

H.R. 5676, Retirement Plan Modernization Act of 2020
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H.R. 5726, Senior Housing IRA Act of 2020
https://www.congress.gov/116/bills/hr5726/BILLS-116hr5726ih.pdf

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Keeping watch

You can find the most recent information on issues affecting governmental defined contribution plans, plan sponsors and plan participants on the Employer page of our plan website, NRSforu.com/plansponsor.

About this report

BOB BEASLEY, CRC, Communications Consultant, edits this report. Beasley brings more than 30 years of financial services communications experience to your plan. He has contributed to past editions of the *Governmental 457(b) Guidebook,* edits countless newsletters and plan sponsor communications, and in 2001 authored "What you should know about the Economic Growth and Tax Relief Reconciliation Act of 2001." He often voices Nationwide's online presentations.

Beasley has served on the Education and Communication Committee for the Plan Sponsor Council of America and as a member of the National Association of Government Defined Contribution Administrators.

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